

General Obligation Debt Service Funds Budget

Debt Service Fund Spending (By Major Object)			
Object	2001 Actual Budget	2002 Adopted Budget	2003 Adopted Budget
Salaries	122,862	138,918	147,606
Services	1,845	76,767	80,374
Fringe Benefits	36,275	41,699	44,165
Other	293,651	316,665	286,665
Debt Service	31,987,313	55,520,304	55,361,165
Equipment, Land, and Buildings	<u>0</u>	<u>0</u>	<u>0</u>
Total	32,441,946	56,094,353	55,919,975

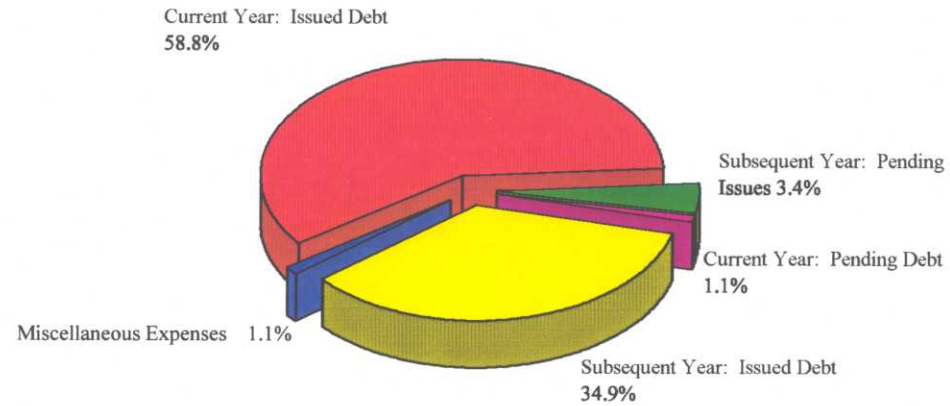
Debt Service Fund Financing (Revenue By Source)			
Source	2001 Actual Budget	2002 Adopted Budget	2003 Adopted Budget
Use of (Contribution to) Fund Balance	0	21,875,900	21,951,148
Transfers	4,061,719	4,363,911	5,294,757
Taxes	18,659,720	18,579,127	18,636,627
Licenses and Permits	0	0	0
Intergovernmental Revenue	1,868	408,948	26,710
Fees, Sales and Services	10	0	0
Enterprise and Utility Revenue	983,446	858,000	858,000
Other Revenue Sources	<u>12,780,280</u>	<u>10,008,467</u>	<u>9,152,733</u>
Total	36,487,043	56,094,353	55,919,975

The city's general debt service budget provides for the principal and interest payments on its general obligation bond issues. The budget consists of two sets of two appropriations: 1) an amount needed to meet the budget year debt service obligations, and 2) an amount needed to meet the obligations of the first half of the following year. Therefore, the amount appropriated for general debt service exceeds the amount actually spent in the budget year. This additional amount remains in fund balance to use as a financing source for the subsequent year's debt service payments. While complicated, this budget structure solves a cash flow problem for the city. The city receives state aids and property taxes mid-year and at the end of the year. If the city did not budget for subsequent year debt service payments, it would lack the cash to make the debt service payments due before the city receives its major cash infusions each year.

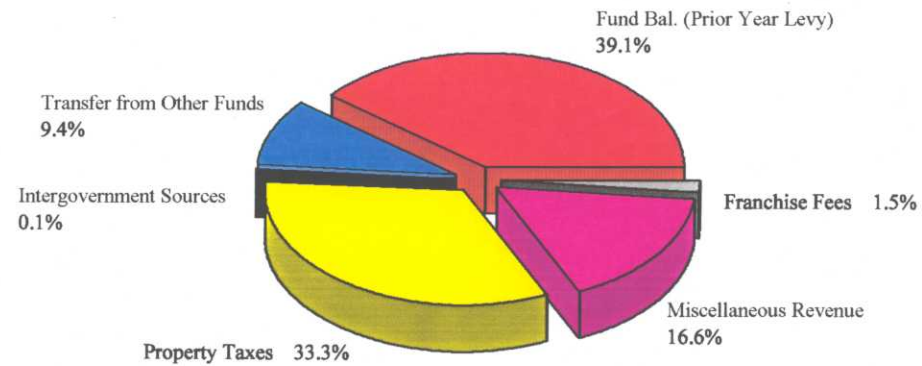
The total 2003 debt service budgets are \$55,919,975. \$33,986,427 is 2003 spending, and \$21,933,548 is 2004 (subsequent year) spending.

General Obligation Debt Service Funds

2003 Spending by Major Category



2003 Financing by Major Source



General Obligation Debt

Allocation Of Debt Support as of December 31, 2002								
	Property Tax Levy	Water and Sewer Charges	Assessments	Tax Increments	Parking Revenue	Other Sources	Self Supporting Total	Total
Capital Improvements	96,785,000					4,465,000	4,465,000	101,250,000
Urban Renewal	570,000							570,000
Urban Renewal Refunding	300,000							300,000
Street Improvements			21,370,000				21,370,000	21,370,000
Tax Increment:								
Riverfront Development				10,185,000			10,185,000	10,185,000
Midway Marketplace				5,660,000			5,660,000	5,660,000
Block 39 Project				17,890,000	21,255,000		39,145,000	39,145,000
Water Pollution Abatement		2,765,000					2,765,000	2,765,000
Sewer Bonds		4,045,000					4,045,000	4,045,000
Sewer Loan (PFA*)		18,391,221					18,391,221	18,391,221
Water Loan (PFA*)		3,327,399					3,327,399	3,327,399
TOTAL	97,655,000	28,528,620	21,370,000	33,735,000	21,255,000	4,465,000	109,353,620	207,008,620
Percent of Total	47.2%	13.8%	10.3%	16.3%	10.3%	2.2%	52.8%	100.0%

* PFA is the Public Facilities Authority.

General Obligation Debt Service

Mission Statement

To prepare financing plans and pay the annual principal and interest on the city's general obligation debt.

Strategic Plan Accomplishments and 2003 Priorities

Major Accomplishments

- Standard and Poor's reaffirmed the city's highest possible AAA credit rating in 2002.
- The city sold its general obligation capital improvement bonds, \$19 million, with a record low 3.71% interest.
- Published "General Obligation Debt Overlapping on the Saint Paul Tax Base 2001." The publication is a joint effort of the City of Saint Paul, the Saint Paul Public Schools, the Saint Paul Port Authority, and Ramsey County, who work together to coordinate general obligation financing of the area's capital needs, keep such financing within agreed upon debt level targets, jointly plan for meeting the capital needs of each jurisdiction, and monitor associated impacts on property taxes in Saint Paul.

2003 Priorities

Using a creative and responsible fiscal approach, the mayor has the following key goals for 2003:

- Maintain or improve the Aa2 (Moody's) and AAA (Standard and Poor's) ratings assigned to the city's general obligation debt. Strengthen the organizational understanding of the best uses of the general obligation bonding authority.
- Provide Alternate Financing: Provide recommendations for the alternative financing plans for both current and future bond issues. Alternatives to the use of tax levy as financing for the general obligation debt of the city will continue to be explored and recommended where prudent. Continue to review proposals in search for the solutions that serve the city in the long-term, ever mindful of the short-term needs.

General Obligation Debt Service

DEPARTMENT/OFFICE DIRECTOR: MATT SMITH

	2000 2ND PRIOR EXP & ENC *	2001 LAST YEAR EXP & ENC *	2002 ADOPTED BUDGET	2003 MAYOR'S PROPOSED	2003 COUNCIL ADOPTED	ADOPTED MAYOR'S PROPOSED	CHANGE FROM 2002 ADOPTED
<hr/>							
<u>SPENDING APPROPRIATIONS</u>							
960 GENERAL DEBT SERVICE FUND	24,106,341	23,229,108	43,554,498	43,439,186	43,314,186	125,000-	240,312-
961 CITY REV BONDS, LONG TERM DEBT	4,989,637	5,954,637	5,954,729	6,869,753	6,869,753		915,024
963 G.O. SPEC ASSM DEBT SERV FUND	2,943,136	2,941,455	6,268,380	5,419,290	5,419,290		849,090-
967 CITY REVENUE NOTES DEBT SERVICE	316,746	316,746	316,746	316,746	316,746		
	<hr/>						
TOTAL SPENDING BY UNIT	32,355,860	32,441,946	56,094,353	56,044,975	55,919,975	125,000-	174,378-
	<hr/>						
<u>SPENDING BY MAJOR OBJECT</u>							
SALARIES	103,294	122,862	138,918	147,606	147,606		8,688
EMPLOYER FRINGE BENEFITS	31,516	36,275	41,699	44,165	44,165		2,466
SERVICES	25,954	1,845	76,767	80,374	80,374		3,607
MATERIALS AND SUPPLIES	4,765	8,598	6,665	6,665	6,665		
MISC TRANSFER CONTINGENCY ETC	250,000	285,053	310,000	280,000	280,000		30,000-
DEBT	31,940,331	31,987,313	55,520,304	55,486,165	55,361,165	125,000-	159,139-
STREET SEWER BRIDGE ETC IMPROVEMENT							
EQUIPMENT LAND AND BUILDINGS							
	<hr/>						
TOTAL SPENDING BY OBJECT	32,355,860	32,441,946	56,094,353	56,044,975	55,919,975	125,000-	174,378-
	<hr/>						
		.3 %	72.9 %	.1-%	.2-%	.2-%	.3-%
<u>FINANCING BY MAJOR OBJECT</u>							
<u>SPECIAL FUNDS</u>							
TAXES	19,242,185	19,528,506	19,437,127	19,494,627	19,494,627		57,500
LICENSES AND PERMITS							
INTERGOVERNMENTAL REVENUE		1,868	763,948	26,710	26,710		737,238-
FEES, SALES AND SERVICES		10					
ENTERPRISE AND UTILITY REVENUE	84,004	114,660	130,000	130,000	130,000		
MISCELLANEOUS REVENUE	13,113,901	12,780,280	9,523,467	9,162,733	9,022,733	140,000-	500,734-
TRANSFERS	3,197,864	4,061,719	4,363,911	5,294,757	5,294,757		930,846
FUND BALANCES			21,875,900	21,936,148	21,951,148	15,000	75,248
	<hr/>						
TOTAL FINANCING BY OBJECT	35,637,954	36,487,043	56,094,353	56,044,975	55,919,975	125,000-	174,378-
	<hr/>						
		2.4 %	53.7 %	.1-%	.2-%	.2-%	.3-%

Budget Explanation

Major Changes in Spending and Financing

Creating the 2003 Budget Base

The 2002 adopted budget was adjusted to set the base for the year 2003. The budget was increased for the anticipated growth in 2003 for salaries and fringes.

Department Proposals

- The spending in fund 960, general debt service, decreased by \$115,312. The budget proposes issuing \$19,000,000 capital improvement budget (CIB) bonds in 2003. The 2000 and 2001 actuals reflect only the amount actually spent and do not reflect the subsequent year debt that is budgeted in 2002 and 2003.

For funds 960 and 963, the budget includes appropriations for both the amount needed to meet the budget year debt service obligations, and an amount needed to meet the obligations of the first half of the following year (subsequent year). Therefore, the amount appropriated exceeds the amount actually spent in the budget year. This additional amount remains in fund balance to use as a financing source for the subsequent year's debt service payments. While complicated, this budget structure solves a cash flow problem for the city. If this practice was not employed, the city would lack the cash to make the debt service payments due before it receives its major cash infusions each year.

- Spending for fund 961, city revenue bonds, long-term debt, increased by \$915,024. This fund makes payments for Wild Arena debt service from Arena facility lease payments and Minnesota Wild hockey team revenue (payments in lieu of taxes). These are backed by sales tax revenues.
- Spending for fund 963, general obligation special assessment debt service, decreased by \$849,090 compared to 2002. The 2000 and 2001 actuals reflect only the amount actually spent and do not reflect the subsequent year debt that is budgeted in 2002 and 2003.
- Also included was spending in fund 967, city revenue notes debt service, for a bank note for purchase of property for the Science Museum, paid by parking revenues and cultural sales tax (STAR) monies. There was no change in spending from 2002.

Mayor's Recommendations

In preparing the 2003 proposed budget, the mayor recommended accepting the spending proposals contained in the submitted budget, but made these adjustments (compared to 2002 adopted) to the financing plan,

- Fund 960, general obligation debt service, the budget submitted increased the debt service levy for 2003 only by the amount of the levy that the city council

shifted to operations for 2002 (\$57,500).

Use of interest earnings, transferred from the capital projects fund, were increased by \$225,000.

The financing plan shows \$4.1 million of transfers from the sewer fund used to finance sewer-related debt service payments. Excluding transfers for subsequent year debt service, the increase in transfers is \$1.8 million.

Decreases in revenue include the transfer from PED fund 149 (\$591,052), transfer from HRA fund 148 for TIF contribution (\$382,238), Mears Park tax abatement (\$355,000), and the use of fund balance (\$296,981). Total decreases equal \$1.6 million.

- The bonds for fund 961, city revenue bonds, long-term debt, are financed with facility lease payments and Minnesota Wild hockey team revenues (payments in lieu of taxes). These are backed by sales tax revenues. The \$915,024 increase in spending was financed by an increase of \$35,074 in payments in lieu of taxes and by \$879,950 in use of fund balance built up from previous year's payments in lieu of taxes and lease payments.
- For fund 963, general obligation special assessment debt service, the decrease in spending necessitated lowering financing amounts. Use of fund balance and assessments were adjusted to match the \$849,090 decrease in spending.
- No changes were needed for fund 967, city revenue notes debt service. Both spending and financing are the same as 2002.

Council Actions

The city council adopted the general obligation debt service budget and recommendations as proposed by the mayor, and approved the following changes:

- Reducing spending in fund 960 by \$125,000 due to an estimated lower interest cost (4%) for the bonds being sold in 2003.
- Reducing financing in fund 960 by \$125,000 due to a lower interest earnings estimate (3.5%) on its cash balance.